



Director of  
Central  
Intelligence

Approved For Release 2004/11/03 : CIA-RDP79T00975A031400170002-3

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# National Intelligence Daily (Cable)

19 May 1979

DIA and DOS review(s)  
completed.

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Contents

Briefs and Comments

OPEC: <i>Current Account Surplus to Soar . . . . .</i>	1
ISRAEL: <i>Weizman-Begin Dispute on Autonomy. . . .</i>	2
SYRIA-LEBANON: <i>Status of Syrian Forces . . . . .</i>	3
CHINA-VIETNAM: <i>Talks Recess . . . . . . . . . .</i>	4
FRANCE: <i>Franco-African Conference. . . . . . . . .</i>	5
JAPAN-USSR: <i>Firyubin Visit . . . . . . . . . .</i>	6

NATO: <i>AWACS Status . . . . . . . . . . . . . . . .</i>	8
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NEPAL: <i>Violence Subsides . . . . . . . . . . . . . .</i>	10
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## BRIEFS AND COMMENTS

## OPEC: Current Account Surplus to Soar

The large increases in oil prices, coupled with a decline in Iranian imports, should boost the OPEC current account surplus to \$29 billion this year--nearly 20 times the 1978 level. The current accounts of all the member countries probably will improve, easing many of the financial burdens of the cartel. We expect only Algeria, Ecuador, and Venezuela to have current account deficits in 1979. The individual members' current account balances are projected to range from a deficit of \$4.2 billion in Venezuela to a surplus of \$10.2 billion in Kuwait.

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Export earnings of the cartel members should increase to at least \$174 billion in 1979, 25 percent above the 1978 level, primarily reflecting higher oil prices imposed in the first half of the year. We have assumed an average 1979 OPEC price of \$16 a barrel, including surcharges. Current market trends, however, suggest that prices may rise significantly during the remainder of the year, boosting the average price. Oil export volume will probably rise less than 1 percent.

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Based on our individual country projections, OPEC's import bill will increase 5 percent in 1979 to \$105 billion. Although import prices are expected to rise about 8 percent, import volume will mark its first decline since 1973, due almost entirely to an expected 55-percent drop in Iranian purchases. Import expenditures in most other OPEC countries are expected to rise moderately. Saudi import volume will slow as several construction projects near completion and many new development programs are stretched out.

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The deficit on services and private transfers is likely to grow by about \$3 billion in 1979, to an estimated \$36 billion. Increases in freight and insurance costs for imports and in service expenditures should outstrip the increase in investment earnings. Grant aid in 1979 probably will increase by about \$600 million over the 1978 figure of \$3.4 billion despite Arab OPEC cutbacks in aid to Egypt.

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#### ISRAEL: Weizman-Begin Dispute on Autonomy

Israeli Defense Minister Weizman's request to withdraw from the government's negotiating team on West Bank - Gaza autonomy will be considered on Monday at a special cabinet session convened to give a final review to the autonomy proposals drawn up by Prime Minister Begin and his senior colleagues. Weizman's request, made in protest against Begin's rigid negotiating stance, may partly be a ploy to rally support from cabinet moderates for more tactically flexible proposals. Should Weizman remain dissatisfied, he may withdraw from active participation in the autonomy talks, thereby removing the most moderate Israeli voice.

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Weizman believes Begin's hardline posture, if maintained, will stalemate the negotiations, worsen Egyptian President Sadat's position in the Arab world, and perhaps eventually undermine the peace treaty. So far, Weizman apparently has not asked to withdraw from the 11-member advisory committee chaired by Begin that supervises the smaller negotiating team. If Weizman does leave the negotiating team, he might seek to exercise some influence behind the scenes by acting in the larger group in concert with relatively like-minded figures such as Foreign Minister Dayan, Deputy Prime Minister Yadin, and Finance Minister Ehrlich.

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Yadin and Ehrlich probably will rely on Weizman to take the lead in challenging the Prime Minister. Dayan, on the other hand, has been trying in his own way to influence Begin toward greater flexibility. Dayan reportedly has gained the Prime Minister's agreement to drop some proposals from his autonomy plan to avoid locking the government into rigid positions on matters of details. (S)

Begin may feel constrained to offer Weizman some concessions in the interest of coalition harmony and to avoid a blatantly intransigent image that could be exploited by the Labor Party. The Prime Minister, however, is unlikely to change the thrust of his proposals because of his ideological views, his need to retain the support of key coalition hardliners, and his desire to test Sadat's capacity for compromise before offering compromise proposals of his own.

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## SYRIA-LEBANON: Status of Syrian Forces

There are signs the Syrians are altering their peacekeeping role in Lebanon in such a way that they could withdraw some forces there over the next several months if the situation does not deteriorate markedly. Nonetheless, statements released after talks this week in Damascus between Lebanese President Sarkis and Syrian President Assad mention no impending change in the Syrian role. Press reports indicate that Lebanon intends to ask the Arab League to renew the mandate of the Syrian peacekeeping force after the current one expires in late July.

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Since the end of the last round of fighting with the Christians last fall, the Syrian military has been attempting to establish a lower profile in Lebanon. Soon after the fighting stopped, the Syrians began to replace their troops along the confrontation lines in Beirut with units of the Palestinian Liberation Army, a Syrian-supported group. They have also recently increased their materiel support to some of the other Lebanese and Palestinian groups that they would like to see act as more of a counterweight to the Christians.

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Over the last few months, the Syrians have allowed Lebanese Army troops to take over several sensitive positions in Beirut.

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in doing so, the Syrians have drawn their units in Beirut down by 10 to 15 percent.

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The Syrians have been in Lebanon for nearly three years, and there have been increasing indications that they and their supporters in the Arab League are tiring of the Lebanese problem. Their efforts to reduce their role will almost certainly be delayed, however, if the security situation deteriorates.

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CHINA-VIETNAM: Talks Recess

The first round of the Sino-Vietnamese peace talks ended yesterday with the Chinese delegation's departure from Hanoi and its call for negotiations to continue in Beijing. The Chinese did not announce a date for the second round. No progress has been made in the talks, which began on 18 April, although the first group of prisoners of war is scheduled to be exchanged on Monday.

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Hanoi and Beijing blame each other for failure to move the talks off dead center. The Vietnamese stuck to their original proposal to withdraw forces from the immediate border area and establish a demilitarized zone. The Chinese, however, demanded that the Vietnamese discuss a number of broader issues, including Hanoi's association with the USSR, its occupation of Kampuchea, and its alleged mistreatment of Vietnamese of Chinese ancestry. Both sides appear to want the talks to continue even though neither sees any prospect for an early solution to their disagreements.

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FRANCE: Franco-African Conference

French President Giscard and several African chiefs of state will begin their annual two-day summit on Monday in Rwanda. The conference--which includes former colonies of Belgium, the UK, and Portugal as well as France--illustrates France's efforts to expand its influence in Africa by playing down ideology and emphasizing less controversial issues such as economic aid. Security matters may also be discussed despite formal objections at last month's preparatory conference by some African representatives that military matters should be reserved for all-African forums, such as the Organization of African Unity.

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Giscard is expected to outline his aid plan for Africa that calls for close coordination among proposed donors--France, the US, West Germany, the UK, Canada, and Belgium--on common projects that would be selected for their regional impact. The intended donors have not yet subscribed to the plan, probably because of their misgivings over the vague nature of the proposal and suspicions that Paris will garner a disproportionate amount of credit for the effort.

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African reaction to Giscard's proposal is expected to be mixed. Moderate, pro-French countries, which assume their aid level will increase, will almost certainly favor the plan. English-speaking, Portuguese-speaking, and more radical countries that generally receive little or no French aid may fear that aid allotments from the other donors will be reduced. African states that have developed bilateral aid programs also may fear losing them because donor funds presumably would be reallocated for regional projects.

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#### JAPAN-USSR: Firyubin Visit

Japanese Foreign Ministry officials believe that Soviet Deputy Foreign Minister Firyubin's visit to Tokyo on 14 and 15 May signaled Moscow's desire to improve bilateral relations. The Japanese did not anticipate, or make, any headway on outstanding political issues. They were encouraged, however, by Soviet interest in continuing regular vice-ministerial consultations and satisfied with Moscow's apparent desire to play down differences over Japan's relations with China.

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The principal point of contention was the Soviet military presence in Southeast Asia. Over the past several months, Japanese commentary on Indochina has focused increasingly on concern over the Soviet activity in Vietnam. Although the Japanese voiced this concern to Firyubin, he turned it aside and said that Moscow was only fulfilling its treaty obligations to Vietnam and was threatening no third country.

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The Soviets confined themselves to restating their longstanding positions on the northern territories dispute and the terms for a bilateral peace treaty, but Tokyo was encouraged by Firyubin's relatively tactful approach that avoided belaboring the differences between the two countries. Foreign Ministry officials also said Firyubin emphasized that there was no likelihood of a shift in Soviet policy toward the Koreas. He said Moscow would continue to support Pyongyang's policies and avoid opening official contacts with Seoul.

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NATO: AWACS Status

//The dispute over the location of the headquarters of NATO's Airborne Warning and Control System (AWACS) has been settled, but issues dealing with cost-sharing arrangements and West European dissatisfaction with the level of US purchases of West European weapons remain unresolved.// [REDACTED]

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//The Belgians announced at this week's meeting of NATO defense ministers that they will agree to locate the AWACS headquarters in the Dutch city of Brunssum. The Belgians had held out for months for a Brussels site and had annoyed the rest of the allies by refusing to participate in the AWACS program until the dispute was settled.// [REDACTED]

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//Belgium, dissatisfied with its projected AWACS bill, still has not agreed to take part and may now press even harder to get its projected share of program costs reduced. Portugal has already accomplished this by pleading poverty, and Turkey hopes to do the same. Virtually all members of the Alliance are concerned that AWACS costs will rise now that Iran has canceled its purchase of seven Boeing E-3A AWACS aircraft.// [REDACTED]

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//West Germany has additional reservations. It has been one of the countries most dissatisfied with amounts of US purchases of West European weapons systems under the "two-way street" in Alliance arms sales. Bonn agreed to take part in AWACS with the understanding that the US would buy the Franco-German "Roland" surface-to-air missile and a West German gun for the XM-1 tank. Doubts that the US will go ahead with the missile purchase and worries over delays in the XM-1 program may cause West Germany's AWACS contribution to be debated in the Bundestag this summer.// [REDACTED]

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NEPAL: Violence Subsides

Kathmandu and the rest of the country have been relatively quiet during the past week, following the violent clashes between striking students and security forces earlier this month. The few demonstrations that have occurred in recent days have been orderly and police restraint has contributed to the decrease in violence. Government and university officials appear optimistic that their policy of conciliation will eventually end the confrontation, but it is unclear whether the students will return to classes when campuses reopen next week. Future stability is likely to depend heavily on the content of a report to be prepared by a royal commission now investigating the recent disturbances and on the implementation of its recommendations.

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